

ADJUSTED ANNUAL FINANCIAL STATEMENTS

for

INGQUZA HILL LOCAL MUNICIPALITY

For the period ended 30 June 2018

Province:

Eastern Cape

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INGQUZA HILL LOCAL MUNICIPALITY ADJUSTED ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2018

General information

Municipal demarcation code: EC 153

Members of the Executive Council and Leadership

Councillor J P Mdingi	Mayor
Councillor N Capa	Speaker
Councillor M Tenyane	Chief Whip
Councillor S H Mshazo	MPAC Chair
Councillor P Dutshwa	Members Interest Chair
Councillor Z Mhlongo	Public Participation & Petitions Committee Chair
Councillor B J Nkani	Women's Caucus Chair
Councillor M R Ziphahle	Member of the Executive Committee
Councillor V Gwagwe	Member of the Executive Committee
Councillor B B Goya	Member of the Executive Committee
Councillor T Jotile	Member of the Executive Committee
Councillor V Somani	Member of the Executive Committee
Councillor B Mvulani	Member of the Executive Committee
Councillor M M Mkhumla	Member of the Executive Committee
Councillor N A Gagai	Member of the Executive Committee
Councillor S B Vatsha	Member of the Executive Committee

Municipal Manager

M Fihlani

Acting Chief Financial Officer

Z Sodladia

Grading of Local Authority

Grade 3 : Low Capacity

Auditors

Auditor-General(South Africa)

Bankers

First National Bank

Flagstaff Branch

6224175712 - Primary bank account

Lawyers

FT Tayi Incorporated

Ximbi Ncolo and Associates

INGQUZA HILL LOCAL MUNICIPALITY
ADJUSTED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

General information (continued)

Registered Office: 135 Main Street, Flagstaff

Physical addresses:

Flagstaff Office
135 Main Street
FLAGSTAFF
4810

Lusikisiki Office
66 Main Street
LUSIKISIKI
4820

Postal addresses:
Flagstaff Office

PO Box 14
FLAGSTAFF
4810

PO Box 7
LUSIKISIKI
4820

Telephone numbers:

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INGQUZA HILL LOCAL MUNICIPALITY
ADJUSTED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

Foreword

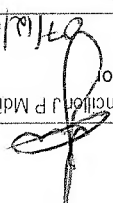
We are pleased to present this Financial Report that reflects our commitment to the principle of good governance and clean administration by Ingquza Hill Local Municipality's Council.

As a responsible local government sphere, we have worked hard during the period under review to execute the mandate given to us by the communities, we serve to advance their basic social needs and reduce the infrastructure development backlog that is faced by the our country. This is our main business as the local sphere of South African Government in terms of Section 216 of the Constitution of the Republic of South Africa and other pieces of legislation governing local government.

As a developing local government institution, we place very high emphasis on total compliance with the legislation governing our administration. We will continue to place great focus on empowering our public representatives to ensure a vigorous oversight and leadership role in the management of public funds.

We wish to thank the Council, its committees and our administration for their hard work in ensuring that Ingquza Hill Local Municipality achieve positive results in respect of financial management.

Thank you


Councilor J P Mdingi
Mayor

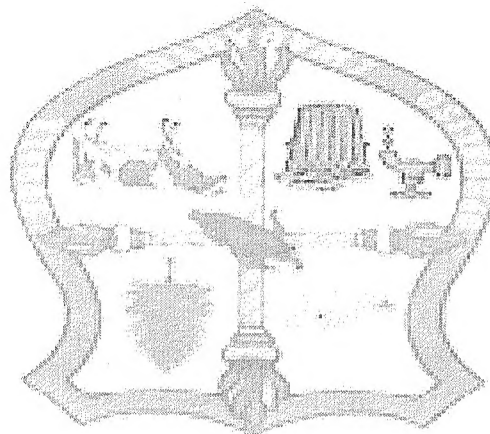
Date

27/11/2018

INGQUZA HILL LOCAL MUNICIPALITY

ADJUSTED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018



Accounting Officer's Statement

I, Muleki Fihani, am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 55, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003(MFMA) and which I have signed on behalf of the Municipality.

I also certify that the salaries, allowances and benefits of Councilors as disclosed in notes 19 and 36 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution Act No 108 of 1996 of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act No 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

M Fihani
Municipal Manager

07 December 2018

Flagstaff

at (place of signing)

Date

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INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2018

REVENUE	Notes	2018	2017
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
TAXES			
Property rates	13	21 541 089	21 367 983
TRANSFERS AND FINES			
Government grants and subsidies	15	286 015 240	262 043 361
Fines		2 243 200	1 314 500
REVENUE FROM EXCHANGE TRANSACTIONS			
Service charges - refuse	14	1 134 823	1 119 231
Rental of facilities		11 918	11 661
Interest earned - external investments	43	7 815 515	7 952 902
Lease rentals		847 207	769 891
Other income	16	11 207 441	3 682 192
Total Revenue		330 816 433	298 261 722
EXPENDITURE			
Employee related costs	18	107 166 887	91 910 835
Remuneration of Councillors	19	21 635 836	18 984 403
Repairs and maintenance	31	4 748 242	17 644 111
Impairment of debtors	35	-	5 580 825
Impairment expense	41	61 644	4 632 032
Interest paid	20	468 056	387 912
Investment property loss on fair value adjustment		45 715 070	-
Loss on sale of sites		1 710 572	-
General expenses	23	65 123 830	73 939 452
Depreciation	8	41 784 674	35 932 482
Total Expenditure		288 414 810	249 012 052
SURPLUS FOR THE YEAR		42 401 623	49 249 670

INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

NET ASSETS AND LIABILITIES		Notes	2018	2017	Restated balances
Net assets			1 113 448 261	1 071 046 638	
Accumulated surplus		1	1 113 448 261	1 071 046 638	
Non-current liabilities			11 608 248	11 443 618	
Long term loan - DBSA		2	6 825 840	6 825 840	
Long service awards		2	4 782 408	4 617 778	
Current liabilities			49 088 835	36 662 608	
Provisions		3	6 556 455	8 824 360	
Current portion of finance lease liability		39	-	195 320	
Current portion of long service awards		9.1	1 444 654	1 302 694	
Trade and other payables from exchange transactions		4	34 834 777	23 167 072	
Unspent conditional grants and receipts		5	6 137 950	3 647 794	
Sundry payables		4	114 998	114 871	
Total Net Assets and Liabilities			1 173 786 102	1 124 809 501	
ASSETS					
Non-current assets			1 003 558 784	994 971 669	
Property, plant and equipment		8	602 471 024	548 397 977	
Investment property		10	394 101 560	439 816 630	
Investment held as a collateral		6	6 474 472	5 988 893	
Current assets			165 589 966	119 316 174	
Consumer receivables from non-exchange transactions		11	24 035 162	18 370 815	
Sundry receivables from exchange transactions		11	658 868	607 589	
VAT receivable		12	42 081 844	25 689 786	
Inventory		26	18 891 464	23 088 938	
Cash and cash equivalents		7	79 922 629	51 559 046	
Total Assets			1 173 786 185	1 124 809 501	

INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2018

Notes		Accumulated Surplus	Total
<u>2017</u>	Balance at 1 July 2016	1 021 796 968	1 021 796 968
	Surplus for the year	49 249 670	49 249 670
	Balance at 30 June 2017	1 071 046 638	1 071 046 638
<u>2018</u>	Balance at 1 July 2017	1 071 046 638	1 071 046 638
	Surplus for the year	42 401 623	42 401 623
	Balance at 30 June 2018	1 113 448 261	1 113 448 261

INGQUZA HILL LOCAL MUNICIPALITY
CASH FLOW STATEMENT

For the year ended 30 June 2018

Notes

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Property rates	21 541 089	21 367 983
Sales of goods and services	4 237 148	5 113 030
Grants	286 015 240	262 043 361
Interest received	7 815 516	7 952 903
Other receipts	11 207 441	3 682 192
	330 816 433	300 159 468
Payments		
Employee costs	(128 802 723)	(109 794 175)
Suppliers	(80 566 485)	(141 999 966)
Interest paid	(468 056)	(387 912)
Other payments/movements		
	(209 837 264)	(252 182 053)
Net cash flows from operating activities	120 979 170	47 977 415
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (PPE)	(95 919 364)	(68 831 378)
Proceeds from sale of PPE	2 293 721	
Investment held as a collateral	485 579	(449 161)
	(93 140 064)	(69 280 538)
Net cash flows from investing activities	(93 140 064)	(69 280 538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease (payments)/receipts	(195 320)	(291 552)
Net cash flows from financing activities	(195 320)	(291 552)
Net increase/(decrease) in net cash and cash equivalents	27 643 786	(21 594 675)
Net cash and cash equivalents at beginning of period	51 559 046	73 153 721
Net cash and cash equivalents at end of period	79 922 622	51 559 046

INGOUZA HILL LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
As at 30 June 2018

Description	Actual 2018	Approved Budget 2018	Adjustments	Final Budget 2018	Variance	Management comments
Revenue	21 541 089	29 627 679	9	29 627 688	27%	N/A
Rates and taxes	5 745 741	6 631 680	(2 241 794)	4 389 886	-31%	Most of the line items here are demand driven from the clients and the negative of the current market
Fees, fines, penalties & licences	9 809 463	29 599 542	(18 537 330)	11 062 212	-11%	Most of the line items here are demand driven from the clients and the negative of the current market
Revenue from exchange transactions	286 015 240	283 644 000	-	283 644 000	-1%	N/A
Transfers from other governments	7 704 900	29 825 797	29 542 941	59 366 738	87%	Most of the line items here are demand driven from the clients and the negative of the current market
Other operating income	330 816 433	379 328 698	8 763 826	388 092 524	15%	
Total revenue	128 802 722	147 830 200	(11 567 536)	136 262 664	5%	Some budgeted benefits are not yet realised by the employees and there are some vacant positions N/A
Personnel	65 123 830	76 159 468	91 009	76 250 466	15%	Expenditure is transferred to assets capitalised, refer to Note 8.2 on additions to PPE
General expenditure	137 240 701	144 013 235	(136 806 990)	7 206 245	-1804%	Repairs and maintenance per clusters started late because of the rainy season
Capital expenditure	4 748 242	11 325 805	157 047 340	168 373 146	97%	Repairs and maintenance per clusters started late because of the rainy season
Repairs and maintenance	468 056	15 000	(15 000)	N/A	0%	
Finance costs	336 383 531	379 343 696	8 748 824	388 092 520	13%	
Total expenditure	(5 567 118)					
Un-adjustment surplus for the year						

Surplus for the year
42 401 623

Depreciation
Fair value adjustment
Impairment of debtors
Impairment expenses
Loss on sale of sites
Finance costs
HR provisions

96 296 470
41 784 674
45 715 070
61 644
1 710 572
469 056
6 556 455

NB: Management comments are in respect of variances that are 10% and above. The adjustments are the movements within the approved budget by the Council.

NB: All the movements between the approved budget and the final budget are a consequence of reallocations within the budget

INGOUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). The Municipality has also made use of the approved but not yet effective standards to compile these accounting policies which are also a part of this list. The standards are summarised as follows:

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statement

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing costs

GRAP 6 Consolidated and separate financial statements

GRAP 7 Investments in Associates

GRAP 8 Investments in Joint Ventures

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial reporting in hyperinflationary economies

GRAP 11 Construction contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment property

GRAP 17 Property, Plant and Equipment

GRAP 18 Segment reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Asset

GRAP 21 Impairment of non cash generating assets

GRAP 23 Revenue from non exchange transactions

GRAP 24 Presentation of budget information in financial statements

GRAP 25 Employee benefits

GRAP 26 Impairment of cash generating assets

GRAP 27 Agriculture

GRAP 31 Intangible assets

GRAP 100 Disccontinued operations

GRAP 03 Intangible assets

GRAP 104 Financial instruments

GRAP 105 Transfer of functions between entities under common control

GRAP 106 Transfer of functions between entities not under common control

GRAP 107 Mergers

The following are the standards that are approved but not yet effective, no effective date has been determined

GRAP 20 Related party disclosures

GRAP 32 Service concession arrangements Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in associates and joint ventures

GRAP 37 Joint arrangements

GRAP 32 Service concession arrangements Grantor

GRAP 38 Disclosure of interest in other entities

GRAP 108 Valuation receivables

GRAP 109 Accounting by principals and agents

GRAP 110 Living and non-living resources

The effective date for the below standard is 1 April 2019

GRAP 18 Recognition and de recognition of land

The impact of the above standards the Municipality already has the accounting policy for the above standards and is already complying with the requirements of these accounting standards

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note following as they apply to the Municipality

INGQUZA HILL LOCAL MUNICIPALITY	
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS	
For the year ended 30 June 2018	
1. BASIS OF ACCOUNTING(continued)	
1.2 Presentation currency	These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality. All figures have been rounded off to the nearest one Rand
1.3 Going concern assumption	These annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months
1.4 Comparative information	
Budget information	Budget information prepared in accordance with GRAP 1 and GRAP 24 has been provided to these financial statements and forms part of the Annual Financial Statements. The budget information is prepared on the same basis as the Annual Financial Statements for the year ended 30 June 2017
1.5 Accounting policies, changes in accounting estimates and errors	When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy or adoption of accounting standard in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly
The Municipality is fully complying with all the relevant GRAP standards.	

2. RESERVES

2.1 Government Grants Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus or deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant to the accumulated surplus or deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of Government Grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus or deficit.

When an item of property, plant and equipment is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus or deficit.

2.2 Revaluation Reserve

The surplus/deficit arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are derecognised, through a transfer from the revaluation reserve to the accumulated surplus or deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus or deficit while gains or losses on disposal based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price or construction costs and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is situated.

When significant components of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no cost or nominal consideration (i.e. a non-exchange transaction) its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them or incur them one year or more. Similarly, the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

If the work in progress for infrastructure is initially measured at cost, and capitalised to an asset once the asset is completed.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.2 Subsequent measurement - cost model (Property, Plant & Equipment)

Subsequent to initial recognition, land and buildings are carried at carrying value, being their cost less any subsequent accumulated depreciation and impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The assets are depreciated as follows:

Infrastructure	20 years
Access roads	7-24 years
Street lights	7-24 years
High masts	7-24 years
Community assets	10 - 50 years
Graveyard	7-10 years
Fences	10 - 180 years
Sport fields	10 - 180 years
Other	10 years
Landfill site	7 - 10 years
Furniture	10 - 15 years
Mobile office	10 years
Fire arms	5 - 15 years
Plant and equipment	5 - 7 years
Motor vehicles	3 - 5 years
Tools	3 - 10 years
Computer equipment	50 years
Buildings	

The residual value, the useful life of an asset and the depreciation method are reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset and/or when it is transferred to other organ of state (under). The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4.1 Initial recognition

Investment property is measured at fair value less costs to sell, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs, once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it was acquired from an investor), its cost is its fair value as at the date of acquisition.

Where an investment property is acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

Subsequent measurement - fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value which is determined annually with any changes to the fair value recognised in surplus or deficit.

4. INVESTMENT PROPERTY (Cont.)

4.3 Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets at amortised cost and are initially recognised at fair value, plus transaction costs and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Amortised cost refers to the initial carrying amount plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired (expected future cash flows to their present value using the effective interest rate at initial recognition). Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of loss is recognised in the Statement of Financial Performance with operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6. TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, net transaction costs and subsequently measured at amortised cost using the effective interest rate method which is the initial carrying amount less repayment plus interest.

7. CASH AND CASH EQUIVALENTS

7.1 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement cash and cash equivalents comprise cash on hand deposits held with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets at amortised cost and are initially recognised at the fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method.

Bank overdrafts are recorded based on the liability arising from the bank overdraft and are expressed as 'current liabilities' on the balance sheet. Bank overdrafts are categorised as financial liabilities at amortised cost and are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

7.2 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks) are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8. INVENTORIES

8.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

8.2 Subsequent Measurement

Inventories, consisting of land held for sale and stationary, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, written off or consumed unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

9. FINANCIAL INSTRUMENTS (continued)

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial

9.1 Financial Assets - Classification and Measurement

A financial asset is any asset that is cash or a contractual right to receive cash or another financial asset. The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- a) Investment in fixed deposits (Banking institutions, etc.)
- b) Investment held as a collateral
- c) Consumer receivables from non-exchange transactions
- d) Sundry receivables from exchange transactions
- e) Cash and cash equivalents

9. FINANCIAL INSTRUMENTS (continued)

9.1 Financial assets - classification and measurement at amortised cost (continued)

Type of financial assets Classification in terms of GRAP 104

Short term investment deposits - call	Financial asset at amortised cost
Cash and cash equivalents	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Receivables from non-exchange transactions	Financial asset at amortised cost
Sundry receivables from exchange transactions	Financial asset at amortised cost
Investment held as a collateral	Financial asset at amortised cost

Financial assets at fair value are financial assets that meet either of the following conditions.

- They are classified as held for trading, or
- Upon initial recognition they are designated as a fair value through the Statement of Financial Performance

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the Municipality has the positive intent and ability to hold the investment maturity.

Financial assets at amortised costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition, financial assets are subject to impairment provision for impairment. Financial assets at amortised cost are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost, less

9.2 Financial liabilities - Classification and Measurement

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereof

- a) Long term liabilities
- b) Trade and payables from exchange and non-exchange transactions
- c) Bank overdraft
- d) Short term loans
- e) Current portion of long term liabilities
- f) Finance lease liability

There are two main categories of financial liabilities: the classification based on how they are measured. Financial liabilities may be (i) At fair value or (ii) Financial liabilities at amortised costs

9. FINANCIAL INSTRUMENTS

9.2 Financial liabilities - Classification and measurement (continued)

Financial liabilities that are measured at fair value are financial liabilities that are essentially held for trading i.e. Purchase with the intention to sell or repurchase in the short term, derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short term profit/loss or are resulted gain or loss recognised in the Statement of Financial Performance

Any other financial liabilities are classified as financial liabilities at amortised cost and are initially measured at fair value net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets
Held-to-maturity investments and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis

Financial assets at fair value and available for sale are initially and subsequently, at the end of each financial year, measured at fair value with the surplus or deficit being recognised in the Statement of Financial Performance

9.3.2 Financial liabilities

Financial liabilities at fair value are subsequently measured at fair value and other financial liabilities are measured at amortised cost using the effective interest rates method

9.3.3 Impairment of Financial Assets

Financial assets at amortised cost other than those at fair value are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence, the recoverable amount is estimated and an impairment loss is recognised. Initially trade receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. A provision is made for doubtful debts based on past default experience of all outstanding amounts at year end. Bad debts are written off the year in which they are identified as irrecoverable. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the financial assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance

9. FINANCIAL INSTRUMENTS (continued)

9.3 Impairment of Financial Assets (continued)

With the exception of financial assets at cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of financial assets at cost, impairment losses previously recognised through surplus or deficit are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in net assets.

Consumer and sundry receivables are stated at cost less a provision for impairment. The provision is made in accordance with IAS 144 whereby the recoverability of consumer and sundry receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided because such accounts are regarded as

9.3.4 Derecognition of Financial Assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the assets expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when the Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of the ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9.3.5 Derecognition of Financial Liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

10. RISK MANAGEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instrument to which the Municipality is exposed on the reporting date

Risks and exposure are disclosed as follows:

10.1 Credit Risk

- Each class of financial instrument is disclosed separately
- Maximum exposure to credit risk not covered by collateral is specified
- Financial instruments covered by collateral are specified

10.2 Liquidity Risk

- Liquidity risk is managed by ensuring that all financial assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the financial statements

11. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (this for example applies in the case of obligations for the rehabilitation of the landfill site).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is highly probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating deficits. The present obligation under an onerous contract is recognised when it is probable as a provision

12. LEASES

12.1 Municipality as lessee

Leases are classified as finance leases whenever leases transfer substantially all the risks and rewards associated with ownership of an asset. An asset is transferred to the Municipality 'Property, plant and equipment' or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the payments which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to impairment of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the definition of finance leases. Operating leases are recognised and accounted for on a straight-line basis over the term of the relevant lease, this is on the basis of the cash flows in the lease agreement.

12.2 Municipality as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any outstanding amount is recognised as an asset in the Statement of Financial Position.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue from conditional grants, donations and funding are recognised as revenue to the extent that the criteria conditions or obligations have not been met, a liability is recognised.

14. REVENUE

14.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold. The value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services

14.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity or person without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis

Fines constitute both spot fines and summons. Revenue from spot fines and summons are recognised when they are legally due to the Municipality, revenue is impaired when the probability of collecting is remote and/or when a fine is reduced or written off by the Magistrate

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised

14.2 Revenue from non-exchange transactions(continued)

Revenue from public contributions and donations is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment qualify for recognition and first become available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, a deferred income liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and becomes available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15. GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

17. IRRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act no. 55 of 2003, the Municipal Systems Act of 2000, the Public Office Bearers Act (20 of 1988) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. RELATED PARTIES

Individuals as well as their close family members, and/or Municipality are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as the related party and comprises the councillors and audit committee members.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

20	BORROWING COSTS	<p>Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.</p>
21	EMPLOYEE BENEFITS	
21.1	Post Employment Benefits	<p>The Municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the Municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.</p>
21.2	Short Term Employee Benefits	<p>Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences, bonuses and short term portion of Long Service Award.</p>
21.3	Long term employee benefits	<p>Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.</p>
22	EVENTS AFTER THE REPORTING DATE	<p>The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:</p> <ul style="list-style-type: none">current service costinterest cost,the expected return on any plan assets and on any reimbursement right recognised as an assetactuarial gains and losses, which is recognised immediately,past service cost which is recognised immediately, and
23	IMPAIRMENT OF ASSETS	<p>The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).</p> <p>An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.</p> <p>23.1 Impairment of cash generating assets</p> <p>An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.</p> <p>For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.</p> <p>23.2 Impairment of non cash generating assets</p> <p>Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost, approach or service units approach. The decision to use is dependent on the nature of the identified impairment. Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.</p> <p>Reversal of an impairment loss of an asset carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.</p>

24 INTANGIBLE ASSETS

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets if the municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Further development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bringing the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary asset or non-monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 21 intangible assets are distinguished between internally generated intangible assets and other intangible assets. Further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the "intangible asset's" useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years. The residual value of assets with finite useful lives is zero unless an active market exists. Where intangible assets are deemed to have an indefinite useful life such intangible assets are not amortised however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below.

- Software 3
- Website 5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items or intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

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	2018 R	Restated balances 2017 R
1 ACCUMULATED SURPLUS		
Opening balance	1 071 046 638	1 021 796 968
Movements :	42 401 623	49 249 670
Closing balance	<u>1 113 448 261</u>	<u>1 071 046 638</u>

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Restated Balance

	2018	2017
2 LONG TERM LIABILITY		
Loan - Development Bank of Southern Africa (DBSA)	6 825 840	6 825 840
Interest accrued - DBSA- included in sundry creditors (note 4)	114 998	114 870
Total amount owed to DBSA as at 30 June 2018	6 940 838	6 940 710
Long Service Awards (LSA) (Short term portion Note 9.1)	4 782 408	4 617 778
	<u>11 723 246</u>	<u>11 558 488</u>
The DBSA external loan is repayable in 2019. The fixed interest rate is 6.75% per annum. One bullet payment at the end of term from proceedings of zero coupon bonds. The payment shall commence on the last day of half year during which the first disbursement was advanced to the Municipality. The loan is secured by the investment held with FNB-RMB (Rand Merchant Bank) which was ceded to the DBSA which is an investment on zero coupon bond and has the following details:		
- Account number - 128331		
- Type of account - RMB		
- Value - R 6 474 472		
The loan was used to acquire property, plant and equipment.		
3.1 Bonus provision		
Opening balance	8 459 918	1 652 703
Addition to unpaid bonuses	(2 330 032)	336 672
This is a provision for service bonus payable to employees as at 30 June 2018. The uncertainty is the timing of the bonus payments. The accrual calculation is based on the thirteen cheque payable that falls due within the current year. The municipality has an obligation to pay a service bonus in terms of its condition of employment.		
3.2 Performance bonus		
Opening balance	8 459 918	4 817 313
Addition to unpaid performance bonuses	(8 459 918)	1 653 230
This is a provision for performance bonuses due to all Section 57 managers. Its based on 14% of annual all inclusive salary as at 30 June 2017. The uncertainty is on the assessment by Evaluation Committee and approval by Council.		
3.3 Landfill sites		
Opening balance	364 442	353 053
Addition of Flagstaff site to the provision and expenditure increase	62 127	11 389
Provision for the restoration of the landfill site. The Municipality received an approval by the Office of The Environmental Affairs. The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The estimated cost at this time is per above.	<u>426 569</u>	<u>364 442</u>
Total current provisions(Notes 3.1 + 3.2 + 3.3)	<u>6 556 454.85</u>	<u>8 824 360</u>

3

4 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
Retentions with-held from contractors	16 504 142	11 276 413
Trade payables	7 253 116	2 895 106
Accrual for leave pay	7 907 499	7 383 786
Net salaries clearance	(766 247)	-
Credit card	-	55
Prepaid income	3 935 267	890 007
Other accruals	1 000	721 705
Balance at the end of the year	<u>34 834 777</u>	<u>23 167 072</u>

Sundry payables
Interest on DBSA Loan (refer to note 2)
Petrol card

	114 998	114 870
	-	-
	<u>114 998</u>	<u>114 870</u>

The management of the Municipality is of the opinion that the carrying value of trade payables approximate their fair values.

The fair value of trade payables was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Department of Energy (DOE) - Electrification	2 958 535	468 378
Local Economic Development (LED)	3 179 416	3 179 415
	<u>6 137 950</u>	<u>3 647 793</u>

See note 15 for reconciliation of grants from other spheres of government. These unspent conditional grants at year end are directly cash backed as required by the MfMA. At year end there were designated investment bank accounts supporting these unspent grants. However, all unspent conditional grants are classified as current liabilities, to be settled within next 12 months

6	INVESTMENT HELD AS A COLATERAL Investment held as a collateral - FNB: RMB	6 474 472	R 2018
	NB: this is a financial asset - (see Note 2)		
7	CASH AND CASH EQUIVALENTS		
	The Municipality has the following bank accounts:		
7.1	First National Bank - 6224175712 - Type of account: Current Account (Primary Bank Account)		
	Bank statement balance at the beginning of the year	3 241 721	
	Bank statement balance at the end of the year	7 354 570	
7.2	Current and call accounts		
	FNB - 6224175712 - primary account	7 354 570	
	FNB - 62003235307 - call account	25 663 091	
	FNB - 62219877836 - call account	205 749	
	FNB - 74233699310 - call account	24 346 761	
	FNB - 62231474537 - call account	4 546 046	
	FNB - 62231473761 - call account	17 806 376	
	Bank balances at the end of the year	79 922 593	
	Bank statement balance at the end of the year	79 922 593	
7.3	Petty cash balance	35	
	Bank and cash balance (7.2 + 7.3)	79 922 629	
	Cash and cash equivalents	79 922 629	
		51 559 046	
		51 559 046	
		35	
		51 559 011	
		51 559 011	
		5 686 487	
		129 049	
		22 826 100	
		198 673	
		19 476 981	
		3 241 721	
		1 234 570	
		3 241 721	
		5 988 893	R 2017

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For the year ended 30 June 2018

8.2 Analysis of property plant and equipment as at

30 June 2018	Cost					Accumulated Depreciation / Impairment					Carrying Value	
	Opening Balance	Additions	Impairment	Transfer to Completed	Adjustments	Closing Balance	Opening Balance	Depreciation	Impairment	Disposals / Adjustments	Closing Balance	R
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R
Land and buildings	52 947 455	-	-	-	-	52 947 454	1 451 469	557 391	-	-	2 008 860	50 938 594
	52 947 455	-	-	-	-	52 947 454	1 451 469	557 391	-	-	2 008 860	50 938 594
Infrastructure												
Infrastructure - Work in Progress	77 865 204	94 534 681	-	(38 819 223)	512 000	134 093 826	221 212	-	-	-	326 962	134 093 826
Street lights	632 031	-	-	-	-	632 031	245 078	105 750	-	-	326 962	305 069
High Mass	8 637 761	0	-	-	-	8 637 761	169 835 803	802 882	-	-70 049	1 047 960	7 589 801
Access Roads	470 186 847	29 632 215	-	-	185 259	500 004 321	170 301 833	33 197 984	-	-	202 963 538	297 040 783
	557 321 842	124 166 896	-	(38 819 223)	697 259	643 367 939	170 301 833	34 106 616	-	-70 049	204 338 460	439 029 477
Community assets												
Cemetery	62 049	-	-	-	-	62 049	43 446	9 070	-	-	52 516	9 533
Sport field	12 973 113	-	-	-	-	12 973 112	1 533 109	1 296 493	-	-	2 829 601	10 143 511
Community Halls	39 185 341	3 663 203	-	-	-	42 848 544	4 085 165	1 788 810	-	-	5 873 994	36 974 550
Fencing	542 039	1 284 975	-	-	-	1 827 014	25 544	38 499	-	-	64 043	1 762 971
Wellheads Viewing Deck	308 222	-	-	-	-	308 222	38 657	172 557	-	-	211 214	97 008
Drivers Licence testing center	33 226 370	-	-	-	-	33 226 370	84 991	1 347 867	-	-	1 432 858	31 793 513
	86 297 134	4 948 178	-	-	-	91 245 312	5 810 930	4 653 296	-	-	10 464 226	80 781 086
Leased assets												
Printing Machine	1 161 943	-	-	-	-	1 161 943	925 773	185 423	-	-	1 111 193	50 747
Other assets												
Landfill site	336 212	-	-	-	-	336 212	281 471	39 976	-	-	321 447	14 766
Fire arms	102 905	-	-	-	-	102 905	27 327	18 625	598	-	45 952	56 953
Furniture and fittings	2 757 910	152 258	-	-	-	2 910 168	1 295 080	369 332	1 662 713	-	1 662 713	1 247 454
Plant and equipment	28 033 168	3 735 203	(195 488)	-	-	31 768 371	5 273 877	3 447 810	-	-129 369	8 721 667	23 046 684
Motor vehicles	5 590 058	2 776 423	-	-	-	8 170 992	3 872 666	866 055	-	-	4 609 352	3 561 640
Mobile office	453 000	-	-	-	-	453 000	152 920	30 174	-	-	183 094	269 905
Tools, arms & mobile office	2 479 557	549 006	(19 700)	-	-	3 028 563	767 033	369 167	-	(2 537)	1 136 200	1 892 363
Computer equipment	2 225 318	912 737	(215 188)	-	-	3 118 355	1 148 087	332 052	59 346	(131 906)	1 537 002	1 561 354
	41 978 129	8 125 627	(215 188)	-	-	49 888 567	12 818 461	5 473 192	61 643	-	18 217 448	31 671 119
	739 706 503	137 240 701	(215 188)	(38 819 223)	697 259	838 611 214	191 308 527	44 975 917	61 643	(201 955)	226 140 190	602 471 024

NB: Details for the revaluation amounts are stated in note 10, there are no items of property, plant and equipment that are pledged as security

30 June 2017											Accumulated Depreciation			Carrying Value
	Opening Balance	Cost Additions /	Revaluation	Transfer / Completed	Prior year Correction	Closing Balance	Opening Balance	Additions	Disposals	Correction	Closing Balance			
Land and Buildings Land and buildings	R	R	R	R	R		R	R	R	R	R	R		
	68 073 130	2 258 820	-	(17 384 525)	-	52 947 455	1 008 380	443 088	-	-	1 451 468	51 495 987		
	68 073 160	2 258 820	-	(17 384 525)	-	52 947 455	1 008 380	443 088	-	-	1 451 468	51 495 987		
Infrastructure - Work in Progress Street lights High Masts Access Roads	89 196 225	-		(11 334 021)		77 865 204	115 134	106 078	-		221 212	77 865 204		
	632 031					632 031	239 825	5 253	-		245 078	410 819		
	425 208	8 212 553				8 637 761	140 271 642	29 563 961	-		169 835 603	9 392 683		
	434 952 648	35 234 199				470 186 847	140 626 601	29 675 292	-	-	170 301 893	300 551 244		
	525 209 111	43 446 752	-	(11 334 021)	-	557 321 842						387 019 949		
Community assets Graveyard Sport field Community Halls Pound fencing Wellands Viewing Deck Drivers Licence testing center	62 049	5 561 713				62 049	39 750	3 686	-		43 446	18 603		
	7 311 400	1 849 801				12 973 113	800 417	732 691	-		1 533 108	11 440 005		
	37 335 540	542 039				39 185 341	2 501 652	1 583 532	-		4 085 184	35 100 157		
		308 222				542 039		38 657			38 657	503 382		
		33 226 370				308 222		25 544			25 544	282 678		
	44 708 989	41 588 145	-	-	-	86 297 134	3 341 829	2 459 101	-		5 810 930	33 141 379		
												80 486 204		
Leased assets Printing Machine	1 151 943	-	-	-	-	1 151 943	617 279	308 494		-	925 773	236 170		
Other assets Landfill site Fire arms Furniture and fittings Plant and equipment Motor vehicles Mobile office Tools, arms & mobile office	336 212	-				336 212	241 292	40 179			281 471	54 741		
	102 905	654 136		-		102 905	9 312	18 015			27 327	75 578		
	2 103 774	11 026 298 00	-			2 757 910	993 937	301 143			1 295 080	1 462 830		
	17 006 870	-	-			28 033 168	3 576 401	1 697 476			5 273 877	22 759 291		
	5 590 058	-	-			5 590 058	3 246 499	626 167			3 872 666	1 717 392		
	453 000	-	-			453 000	122 720	30 200			152 920	300 080		
	1 993 636	485 921	-			2 479 557	539 962	227 071			767 033	1 712 524		
	2 004 875	227 966	(7 523)			2 225 318	1 056 773	96 256	(4 942)		1 148 087	1 077 232		
Computer equipment	29 591 330	12 394 321	(7 523)	-	-	41 978 129	9 786 896	3 036 507	(4 942)	-	12 818 451	29 159 666		
	668 744 534	99 688 038	(7 523)	(28 718 546)	-	739 706 503	155 380 985	35 932 482	(4 942)	-	191 308 525	548 397 978		

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

8 PROPERTY, PLANT AND EQUIPMENT
As at 30 June 2018
8.1 Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community Assets	Capitalised Leased Assets - Machinery	Furniture and Fittings	Plant and Equipment	Motor Vehicles	Computer Equipment	Other Assets	Total
Carrying values at 1 July 2017	R	R	R	R	R	R	R	R	R	R
Cost	51 496 530	387 787 199	80 486 204	236 170	1 462 830	22 759 945	1 717 391	1 077 457	2 142 923	549 166 649
Disposals	52 947 456	557 321 842	86 297 134	1 751 943	2 757 910	28 033 168	5 590 057	2 225 318	3 371 674	739 706 502
Prior year adjustments	-	697 259	-	-	-	-	-	-	-	697 259
Accumulated depreciation and impairment	(1 450 925)	(170 231 502)	(5 810 930)	(325 773)	(1 255 080)	(5 273 223)	(3 972 666)	(1 147 861)	(1 228 751)	(191 257 111)
- Cost	(1 450 925)	(170 301 951)	(5 810 930)	(325 773)	(1 255 080)	(5 273 223)	(3 972 666)	(1 147 861)	(1 228 751)	(191 307 150)
- Correction of error	-	70 045	-	-	-	-	-	-	-	70 045
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	124 166 896	4 948 178	-	152 258	3 735 203	2 776 423	912 737	549 006	3 740 201
Transfers	(17 384 525)	-	-	-	-	-	-	-	-	(17 384 525)
Net movement	-	(38 819 223)	-	-	-	-	195 488	19 700	-	(38 624 035)
Depreciation	(557 391)	(34 106 616)	(4 653 256)	(185 423)	(367 633)	(3 447 810)	(866 055)	(332 052)	(457 942)	(44 974 215)
- based on cost	(557 391)	(34 106 616)	(4 653 256)	(185 423)	(367 633)	(3 447 810)	(866 055)	(332 052)	(457 942)	(44 974 215)
- based on impairment	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-
Cost/evaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2018	50 938 594	439 029 479	80 781 086	50 747	1 247 455	23 046 684	3 561 640	1 581 907	2 233 432	602 471 024
Cost	52 947 454	643 367 939	91 245 312	1 151 943	2 910 168	31 768 371	8 170 992	3 118 855	3 920 125	838 611 155
Transfer to completed	-	-	-	-	-	-	-	-	-	-
Transfer	(2 008 860)	(204 338 460)	(10 464 226)	(1 111 196)	(1 662 713)	(8 721 687)	(4 608 352)	(1 536 948)	(1 686 693)	(236 140 135)
Accumulated depreciation	(557 391)	(34 106 616)	(4 653 256)	(185 423)	(367 633)	(3 447 810)	(866 055)	(332 052)	(457 942)	(44 974 215)
- Current	(557 391)	(34 106 616)	(4 653 256)	(185 423)	(367 633)	(3 447 810)	(866 055)	(332 052)	(457 942)	(44 974 215)
- Disposal / Adjustments	(1 451 469)	(170 301 893)	(5 810 930)	(925 773)	(1 295 080)	(5 273 277)	(3 872 666)	(1 148 087)	(1 228 751)	(191 308 527)
- Opening	(1 451 469)	(170 301 893)	(5 810 930)	(925 773)	(1 295 080)	(5 273 277)	(3 872 666)	(1 148 087)	(1 228 751)	(191 308 527)

NB: Asset Register is available for inspection at the registered address of the Municipality in terms of Section 63 of MFMA

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT, CONTINUED
As at 30 June 2017

8.1 Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community Assets	Capitalised Leased assets - Printers	Furniture and fittings	Plant and equipment	Motor Vehicles	Computer Equipment	Other Assets	Total
Carrying values at 1 July 2016	R	R	R	R	R	R	R	R	R	R
Cost	38 009 149	384 582 510	41 367 160	544 664	1 109 837	13 430 469	2 343 559	1 043 351	1 972 467	501 787 691
Correction of error	56 402 054	525 205 111	44 708 989	1 161 943	2 103 774	17 006 670	5 550 058	1 861 070	2 985 753	656 525 623
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	(16 392 905)	(140 626 501)	(3 341 829)	(517 279)	(993 937)	(3 576 401)	(3 246 499)	(817 719)	(913 286)	(155 141 931)
- Cost	(1 608 380)	(140 626 501)	(3 341 829)	(517 279)	(993 937)	(3 576 401)	(3 246 499)	(817 719)	(913 286)	(155 141 931)
- Transfers	(17 384 525)	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	11 671 105	43 446 752	41 588 145	-	654 136	11 026 268	-	308 755	485 921	109 181 112
Revaluation	-	(11 334 021)	-	-	-	-	-	(164 951)	(67 698)	(11 334 021)
Disposals	-	-	-	-	-	-	-	(232 649)	-	(232 649)
Depreciation	(441 540)	(30 126 234)	(2 469 101)	(308 494)	(301 143)	(759 981)	(626 167)	(238 797)	(380 602)	(35 605 119)
- based on cost	(441 540)	(30 126 234)	(2 469 101)	(308 494)	(301 143)	(759 981)	(626 167)	(391 936)	(380 602)	(35 605 258)
- disposal	-	-	-	-	-	-	-	153 139	-	153 139
Carrying values at 30 June 2017	51 496 529	387 019 891	80 486 204	236 170	1 462 830	22 759 945	1 717 392	1 077 457	2 142 923	548 399 340
Cost	52 947 454	557 321 842	86 297 134	1 161 943	2 757 910	28 033 169	5 550 058	2 225 318	3 371 674	729 706 502
Prior year correction	-	-	-	-	-	-	-	-	-	-
Disposals	(1 450 925)	(170 301 951)	(5 810 920)	(925 773)	(1 295 080)	(5 273 223)	(3 872 666)	(1 147 861)	(1 228 751)	(191 267 160)
Accumulated depreciation	(442 546)	(29 675 350)	(2 469 101)	(308 494)	(301 143)	(1 696 822)	(626 167)	(91 136)	(315 465)	(35 926 222)
- Cost	(442 546)	(29 675 350)	(2 469 101)	(308 494)	(301 143)	(1 696 822)	(626 167)	(91 136)	(315 465)	(35 926 222)
- Opening balance	(1 008 380)	(140 626 501)	(3 341 829)	(517 279)	(993 937)	(3 576 401)	(3 246 499)	(1 056 726)	(913 286)	(155 580 936)

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

9 LONG SERVICE AWARDS

9.1 Current portion of long service award

Short term portion

	2018	2017
	R	R
	<u>1 444 654</u>	<u>1 302 694</u>

NB: The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive

Current portion of long service awards
Long service awards

	1 444 654	1 302 694
	4 782 408	4 617 778
	<u>6 227 062</u>	<u>5 920 472</u>

9.2 Reconciliation of long service award

Opening balance
Total annual expense
Actuarial (gain) / loss
Unfunded liability

	5 920 472	5 517 682
	(7 430)	773 799
	314 020	(371 009)
	<u>6 227 062</u>	<u>5 920 472</u>

9.3 Assumptions used at the reporting date

Discount rates used
Number of eligible employees
Expected remaining working lifetime
Average retirement age
Salary weighted annual average
General salary inflation

	8.57%	8.39%
	308	295
	22.0 years	22.0 years
	65	65
	7.6%	7.4%
	6.18	6.21

NB: Qualifications and methodology attached in the file. This valuation is effective from the 01 July 2017 and the next valuation will be done on 30 June 2018.

10	INVESTMENT PROPERTY CARRIED AT FAIR VALUE
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10.1	Reconciliation of fair value	Investment property	Total
2018	as at 1 July 2017	439 816 630	439 816 630
	Fair value adjustments	(45 715 070)	(45 715 070)
	as at 30 June 2018	394 101 560	394 101 560
2017	as at 1 July 2016	439 966 630	439 966 630
	Transferred to PPE	(150 000)	(150 000)
	Transferred to inventory		
	as at 30 June 2017	439 816 630	439 816 630
10.2	Investment property pledged as security	-	-
	None and no contractual obligations		
10.3	Details of investment property	2018	2017
	Land held for an undetermined use	439 816 630	423 880 530
	Land under operating lease	(45 715 070)	16 086 100
	Transfer to community hall	394 101 560	439 816 630
10.4	Details of valuation		
	The effective date of the fair value adjustment was 1 July 2015. Revaluations were performed by an independent valuer, Mr Clyde C. Groswater Geospatial, is not connected to the Municipality and have recent experience in location and category of the investment property being valued.		
	Methods used are detailed in the attached Valuers methodology		
	The valuation was based on open market value for existing use		
10.5	Amounts recognised in surplus or deficit for the year.	2018	2017
	Fair value adjustments	15 115 070	

NB: These are the fair value adjustment figures as determined by the Municipal valuer. These valuations were done on 30 June 2018.

NB These are the fair value adjustment figures as determined by the Municipal valuer. These valuations were done on 30

Fair value adjustments

Amounts recognised in surplus or deficit for the year.

Methods used are detailed in the attached Valuers methodology

The effective date of the fair value adjustment was 1 July 2015. Revaluations were performed by an independent valuer, Mr Clyde v' Geopsteral. Geopsteral is not connected to the Municipality and have recent experience in location and category of the investment property being valued.

10.4	Details of valuation
------	----------------------

10.3	Details of investment property	2018	2017
		R	R
	Land held for an undetermined use	439 816 630	423 880 530
	Land under operating lease	(45 715 070)	16 086 100
	Transfer to community hall	-	(150 000)
		<u>394 101 560</u>	<u>439 816 630</u>

10.3	Details of investment property
------	--------------------------------

10.2	Investment property pledged as security	None and no contractual obligations
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2018	as at 1 July 2017	439 816 630	439 816 630
	Fair value adjustments	(45 715 070)	394 101 560
	as at 30 June 2018		394 101 560
2017	as at 1 July 2016	439 966 630	439 966 630
	Transferred to PPE	(150 000)	(150 000)
	Transferred to inventory		439 816 630
	as at 30 June 2017		439 816 630

as at 30 June 2018

as at 30 June 2018

Fair value adjustments

1

2018
as at 1 July 2017

10.1	Reconciliation of fair value
------	------------------------------

Investment property
B

Total
R

11 RECEIVABLES
11.1 Consumer receivables from non-exchange transactions

For the year ended 30 June 2018	Rates		
	Gross balance	Provision for bad debts	Net balances
Business	25 976 837	25 457 300	519 537
Domestic	15 287 660	14 981 807	305 753
Government	17 330 417		17 330 417
Total	58 594 914	40 439 207	18 155 707

For the year ended 30 June 2018	Traffic fines		
	Gross balance	Provision for bad debts	Net balances
Business			
Domestic			
Government			
Total	5 879 455	-	5 879 455

For the year ended 30 June 2017	Rates		
	Gross balance	Provision for bad debts	Net balances
Business	25 840 741	25 323 928	516 815
Domestic	13 840 013	13 563 212	276 800
Government	13 690 945	-	13 690 945
Total	53 371 699	38 887 138	14 484 560

For the year ended 30 June 2017	Other receivables		
	Gross balance	Provision for bad debts	Net balances
Business	3 886 255	-	3 886 255
Domestic			
Government			
Total	3 886 255	-	3 886 255

For the year ended 30 June 2018	Consumer receivables from exchange transactions		
	Gross balance	Provision for bad debts	Net balances
Business	2 252 103	2 207 061	45 042
Domestic	4 166 600	4 083 268	83 332
Government	530 491		530 491
Total	6 949 197	6 290 329	658 868

For the year ended 30 June 2017	Consumer receivables from exchange transactions		
	Gross balance	Provision for bad debts	Net balances
Business	2 105 747	2 063 632	42 115
Domestic	3 898 306	3 821 406	77 900
Government	487 488	-	487 488
Total	6 492 628	5 885 040	607 589

Refuse and Rates, Lagging	Summary of Receivables by Customer Classification		
	2018	2017	
0 - 30 days (current)	52 962	15 201	
31 - 60 days	74 181	63 466	
61 - 90 days	66 005	72 978	
91 - 120 days	80 856	56 383	
121 - 150 days	83 683	204 815	
151 - 180 days	238 775	91 880	
181 - 210 days	-	83 431	
211 - 360 days	386 831	12 405 077	
+ 361 days	64 560 819	45 888 094	
Total	65 544 111	58 864 327	

In terms of the financial instruments classification (Note 33), management has classified consumer and sundry receivables as financial assets at amortised cost for the purposes of assessing credit risk (Notes 11 and 11.2). The concentration of credit risk has been on business and domestic consumers. Provision for impairment of consumer receivables has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for 98% of outstanding debt bases on collection. In management's professional judgement, no further credit provision is required in excess of the provision for impairment.

Consumer receivables comprises a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Consumer receivables are presented net of provision for impairment.

11.2 Sundry receivables from exchange transactions

Advance payments	Sundry receivables from exchange transactions		
	2018	2017	
Business	-	597 869	
Domestic	1 422 373	8 954 051	
Government	42 081 844	25 689 786	
Total	42 504 217	34 239 705	

13	PROPERTY RATES	Actual			

15	GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2018	2017
15.1	Equitable share In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. As part of this service, the municipality provides free basic electricity through a formalised mechanism through Eskom.	210 127 000	195 945 000
15.2	Department of Energy (DOE) - Electrification Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Transferred to liability since creditors have been paid after year end This is an electrification support grant. Conditions have been met for conditional grant, however the creditors have been paid after year end. This amount also includes retention which have not yet been released. This expenditure is only for wards electrification.	468 379 14 500 000 (12 009 843) 2 958 536	3 243 559 7 032 000 (9 807 180) 468 379
15.3	Municipal Finance Management Grant Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability This grant is spent on capacity building on BTO officials and S57 managers and internship.	- 1 700 000 (1 700 000) -	- 1 625 000 (1 625 000) -
15.4	Municipal Infrastructure Grant Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability This is an infrastructure support grant. Conditions yet to be met are that the municipality must still utilise this funding for Capital expenditure purposes, this grant is only spent on road construction and community halls.	- 55 437 000 (55 437 000) -	- 52 025 000 (52 025 000) -
15.5	Library Services Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability This was spent on libraries and running of the libraries in this period.	- 774 000 (774 000) -	- 774 000 (774 000) -
15.6	Local Economic Development Projects Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability Conditions to be met by building hawkers stalls.	3 179 415 - - 3 179 416	3 400 861 - - (221 445) 3 179 415
15.7	Expanded Public Works Programme Grant Balance spent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions met - transferred to revenue The amount recognised as revenue is limited to the funding as per DoRA R 1 880 000 and not the whole expenditure incurred.	1 880 000 - - (1 880 000)	1 266 000 - - (1 266 000)
15.8	Independent Electoral Commission Grant Balance spent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions met - transferred to revenue This was spent on August 2016 Local Government Elections.	- - - -	1 000 000 - - -
15.9	LG SETA Subsidy Balance spent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions met - transferred to revenue This was spent for Trainees.	570 996 - - (570 996)	379 736 - - (379 736)

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

16	OTHER INCOME	2018	2017
		R	R
	Advertising fees rental	201 250	161 090
	Agency fees	3 376 445	2 969 241
	Building fines	21 659	-
	Commission	-	34 079
	Discount	61 466	-
	Donation	102 747	-
	Funeral fees	26 230	19 331
	Insurance refund	6 600	124 918
	Plan fees	33 556	106 742
	Found fees	44 651	27 917
	Rezoning and sub-division	19 641	20 623
	Sale of sites	-	-
	Surcharges and taxes	6 526 203	-
	Tender document	186 993	176 413
	National heritage	-	-
	Auction income	-	41 838
	Vuna award	600 000	-
		<u>11 207 441</u>	<u>3 682 192</u>

NB: These are all revenues from non exchange transactions that were earned, measured and recognised by the Municipality, none of these revenues are pledged as a security to other party.

17 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

Workmen's Compensation Fund

	2018	2017
	-	-
	-	-

18 EMPLOYEE RELATED COSTS

Salaries and wages	79 699 411	62 526 463
Contributions for UIF, provident, medical aid, etc	14 784 739	14 403 150
Travel, motor car, accommodation, subsistence	4 183 122	3 969 498
Overtime payments	6 058 359	5 100 871
Housing benefits and allowances	1 558 149	5 366 584
Employee provisions	883 106	544 268
Total employee related costs	107 166 887	91 910 835

Remuneration of the Municipal Manager	1 081 977	1 126 073
Annual remuneration	146 604	197 752
Car allowance	270 406	26 367
Contribution to UIF and other payments	1 498 986	1 350 192

Remuneration of the Chief Finance Officer	793 755	934 100
Annual remuneration	-	116 715
Car allowance	-	8 337
Contribution to UIF and other payments	793 755	1 059 152

Remuneration of the Corporate Services Director
Annual remuneration
Car allowance
Contribution to UIF and other payments

805 647	-	-
-	-	-
-	-	-
-	-	-

Corporate Services Director resigned and has not been replaced.

Remuneration of the Technical Services Director
Annual remuneration
Car allowance
Contribution to UIF and other payments

961 894	194 836	1 049 069
75 769	150 062	58 357
1 232 498	1 257 488	

Remuneration of the Community Services Director
Annual remuneration
Car allowance
Contribution to UIF and other payments

689 100	212 144	210 918
97 305	17 010	7 802
998 549	235 729	

Remuneration of the Strategic Planning Director
Annual remuneration
Car allowance
Contribution to UIF and other payments

915 336	-	890 220
-	-	168 089
89 354	-	89 354
915 336	1 147 663	

Remuneration of the Acting Chief Finance Officer
Annual remuneration
Car allowance
Contribution to UIF and other payments

925 104	164 621	867 834
164 621	150 717	
1 089 725	1 018 551	

19	REMUNERATION OF COUNCILLORS	Note	2018	2017
	Mayor			
	Annual remuneration		541 485	493 510
	Allowances, contribution to UIF and related items		295 228	279 935
	Speaker		836 712	773 445
	Annual remuneration		490 338	420 768
	Allowances, contribution to UIF and related items		187 193	161 084
	Chief Whip		677 531	581 852
	Annual remuneration		460 255	402 157
	Allowances, contribution to UIF and related items		177 481	155 193
	Exco members		637 735	557 350
	Annual remuneration		3 762 215	3 001 956
	Allowances, contribution to UIF and related items		1 583 935	1 247 207
	Other Councillors		5 346 150	4 249 163
	Annual remuneration		9 328 099	8 657 810
	Allowances, contribution to UIF and related items		4 339 210	3 740 719
	Traditional leaders		470 400	424 065
	Total remuneration for councillors	36	21 635 836	18 984 403
	NB: Turnover related party transactions as per GRAP standard is disclosed on Note 36. The remuneration of councillors and political office-bearers are within the upper limits of the framework envisaged in section 219 of the Constitution.			
20	INTEREST PAID			
	Long term liabilities - DBSA	37	468 056	319 943
	Finance lease	39	-	67 969
	Total interest on external borrowings		468 056	387 912
21	REVALUATION AND FAIR VALUE SURPLUS			
	Fair value adjustment on investment	10.1	45 715 070	-
22	COUNCILLORS WITH ACCOUNTS IN ARREARS			
	1. C.N Yako			202 105
	2. K Mviko			54 444
	3. JP Mdingi		3 232	-
	4. S Ndarane		3 865	-
	TOTAL		7 097	256 549
	NB: These are the Councillors with accounts in arrears for more than 90 days.			

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

23	GENERAL EXPENDITURE	2018	2017
	Accounting and audit fees	5 902 224	6 174 823
	Advertising fees	436 482	714 246
	Allowance ward admin	5 760 631	3 866 530
	Arts and culture	83 970	74 200
	Auction expense	-	-
	Audit committee costs	314 288	366 436
	Bank charges	85 911	84 049
	Beach management	-	-
	Buildings	-	-
	Catering- meetings	42 305	304 395
	Cleaning and greening	54 985	48 335
	Cleaning material	251 764	140 124
	Communication strategy	165 347	301 076
	Community halls	-	18 020
	Computer hardware	-	160 732
	Consultation & professional fees	27 243	141 977
	Corporate development	56 864	1 000 000
	Council functions	2 678 319	5 026 862
	Crime prevention	20 231	172 850
	Data lines	-	22 105
	Disaster management	1 419 152	466 446
	Early childhood development	104 611	92 850
	Electricity and water purchase	2 110 610	720 182
	Electricity infrastructure	5 524 696	8 930 316
	Employee assistance programme	63 571	107 060
	Environmental management	648 601	18 700
	Equitable share	3 453 308	4 110 075
	Expanded Public Works Programme	1 828 682	2 673 279
	Expenditure allowances	137 700	237 531
	Farmer's production	-	607 489
	Finance management grant expenditure - Capacity building	1 059 314	1 319 341
	Garden services	534 432	-
	Hall Hire refund	-	794
	Hawker stalls	-	2 016 106
	Health services	102 219	79 413
	HIV & Aids	100 229	-
	Hotel accommodation	1 558 220	615 540
	IDP development	1 381 126	613 951
	Insurance - external	1 664 781	1 133 948
	Inter-governmental relations	32 412	-
	Internal audit	661 590	731 194
	Labour relations	-	6 792
	Land summit	-	20 530
	Landfill sites	62 127	11 390
	Legal fees	4 515 329	2 764 197
	Library services	68 333	76 105
	License fees	137 930	1 71 743
	Local economic development	2 504 812	5 040 421
	Munsoft and payroll	3 067 072	1 156 303
	Parks, pound and cemeteries	-	50 080
	Plant unit	645 275	(258 327)
	Postage	900	719
	Printing and stationery	667 334	544 975
	Property valuation	183 880	359 117
	Protective clothing	107 167	1 014 790
	Public participation	1 013 164	458 226
	Ra-allocation costs	31 321	18 041
	Recruitment	185 515	112 360
	Refuse bags	368 962	853 424
	Registering authority	185 650	222 380
	Rent- office equipment	304 774	221 577
	Road construction	-	1 484 825
	SMMME Capacity	12 125	3 600
	SMMME production	-	184 565
	Spatial development	513 873	209 542
	Special programmes	604 818	2 911 612
	Spina awareness	50 537	148 469
	Sport and recreation	18 000	15 050
	Subsistence and travelling	1 313 416	1 351 957
	Support to traditional leaders	57 097	99 807
	Survey and planning	-	137 521
	Team building	279 618	377 267
	Telephone	4 380 612	3 601 972
	Tourism	453 600	852 934
	Towing services	10 530	44 800
	Traffic law enforcement	4 613	67 251
	Training	1 495 450	1 271 225
	Training- accommodation	903 673	989 330
	Vehicle hire	715 252	2 121 906
	Vehicle testing centre	-	198 886
	Vehicle- fuel & oil	1 919 377	1 840 234
	Vodacom	-	25 534
	Waste management	29 795	65 448
	Whippery expense	-	-
		65 123 830	73 939 452

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25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL
EXPENDITURE (Continued)

25.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Fruitless and wasteful expenditure current year	190 139	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	190 139	-

NB: The management has considered all the expenditure that has been incurred during the year and the management believes that there were no instances or transactions that maybe classified as fruitless and wasteful expenditure

26 INVENTORY

Stationery and land held for sale

Inventory	18 891 464	23 088 938
Closing balance	18 891 464	23 088 938

Land held for sale

Movements	22 699 035	15 068 112
Land held for sale	(4 004 256)	7 630 923
Closing balance	18 694 779	22 699 035

Opening balance - stationery

Purchases during the year	667 334	429 646
Consumed during the year	(660 552)	(427 970)
Closing balance	196 685	389 903

NB: The Municipality's inventory consists of consumables.
stationery and land held for sale

INGUZA HILL LOCAL MUNICIPALITY		NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)		For the year ended 30 June 2018	
	2018	2017		2018	2017
27	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
27.1	Audit fees				
	Current year audit fee	3 827 509	3 610 119		
	Amount paid - current year	(3 827 509)	(3 610 119)		
	Balance unpaid (included in payables)	-	-		
27.2	PAYE, UIF & SDL				
	Current year taxes	17 042 727	16 979 883		
	Amount paid - current year	(17 042 727)	(16 979 883)		
	Balance unpaid (included in payables)	-	-		
27.3	Medical aid				
	Current year taxes	4 921 516	8 325 180		
	Amount paid - current year	(4 921 516)	(8 325 180)		
	Balance unpaid (included in payables)	-	-		
27.4	Provident and pension funds				
	Current year taxes	8 698 862	9 915 035		
	Amount paid - current year	(8 698 862)	(9 915 035)		
	Balance unpaid (included in payables)	-	-		
28	CONTINGENT LIABILITIES				
	Litigations that are still pending	1 898 442	2 007 049		
	All cases against the Municipality	6 747 000	6 404 006		
	(b)				
	(a) These are employees with cases that are still pending and / or under arbitration process from which the outcome may favour any of the two parties involved. These employees are still on suspension pending their cases.				
	(b) Cases against the Municipality, by the people that are suing the Municipality for issues relating to land invasion				

31	<p>REPAIRS AND MAINTENANCE</p> <p>Repairs and maintenance - Property, plant and equipment</p> <p>Repairs and maintenance - Computer installation</p> <p>17 187 790</p> <p>4 616 387</p> <p>131 856</p> <p>4 748 242</p> <p>17 644 111</p> <p>2018</p> <p>2017</p> <p>R</p> <p>R</p>	<p>NB: Repairs and maintenance programme started very late last year due to other delays that couldn't be avoided by the Municipality. These repairs are mainly gravel road repairs and a little bit of buildings, vehicles and computers - they are all not enhancing the capacity of the respective assets and as such are expensed.</p>
30	<p>ASSUMPTIONS</p> <p>Cash generated by operations</p> <p>Unspent conditional grants and receipts</p> <p>VAT receivables</p> <p>Increase in sundry payables</p> <p>Long service awards</p> <p>Trade and other payables from exchange transactions</p> <p>Provisions</p> <p>Sundry receivables from exchange transactions</p> <p>Inventories</p> <p>Correction of errors</p> <p>Surplus per Statement of Financial Performance</p> <p>-Interest paid</p> <p>-Loss on sale of sites</p> <p>-Loss on fair value adjustment</p> <p>-Interest earned</p> <p>-Impairments</p> <p>-Depreciation</p> <p>Adjustment for:</p> <p>Un-adjusted surplus for the year</p> <p>41 409 259</p> <p>41 784 674</p> <p>61 644</p> <p>(7 815 515)</p> <p>45 715 070</p> <p>1 710 572</p> <p>468 056</p> <p>123 333 759</p> <p>(2 388 607)</p> <p>4 197 474</p> <p>(496 511)</p> <p>(2 267 905)</p> <p>11 667 705</p> <p>402 790</p> <p>(18 356 227)</p> <p>(2 996 626)</p> <p>21 134 058</p> <p>2018</p> <p>2017</p> <p>R</p> <p>R</p>	<p>30.1 Going concern</p> <p>30.2 Events after reporting date</p> <p>Full details of all known events, if any, after the reporting date will be disclose.</p>

Sub-notes
Period

which have been identified

2016/17

270400

Acknowledgements

110103

2016/17

2015/11

2016/17

2016/17

30 June 2018		30 June 2017	
Opening balance	18 978 404	58 950 609	149 313 370
Net gains or losses recognised directly in net assets	-	-	-
Interest income	-	-	449 161
Impairments	-	-	-
Net other movements	5 056 758	(2 117 387)	-63 684 267
Closing balance	24 035 162	18 978 404	86 078 264
Maximum credit exposure	-	-	-
Interest income includes	-	-	-
Interest on financial assets that are not at fair value through surplus or deficit	-	-	-
Subsequent interest on impaired financial assets	-	-	-
Consumer receivables	18 978 404	58 950 609	149 313 370
Sundry receivables	9 551 921	11 669 308	73 153 721
Investment held as collateral	5 988 893	5 539 732	73 153 721
cash and cash equivalents	51 559 046	51 559 046	73 153 721
Total	86 078 264	149 313 370	149 313 370
Net gains or losses recognised directly in net assets	-	-	-
Interest income	-	-	-
Impairments	-	-	-
Net other movements	5 056 758	(2 117 387)	-63 684 267
Closing balance	24 035 162	18 978 404	86 078 264
Maximum credit exposure	-	-	-
Interest income includes	-	-	-
Interest on financial assets that are not at fair value through surplus or deficit	-	-	-
Subsequent interest on impaired financial assets	-	-	-
Consumer receivables	18 978 404	58 950 609	149 313 370
Sundry receivables	9 551 921	11 669 308	73 153 721
Investment held as collateral	5 988 893	5 539 732	73 153 721
cash and cash equivalents	51 559 046	51 559 046	73 153 721
Total	86 078 264	149 313 370	149 313 370

Interest income include

Interest on financial assets that are carried at amortised cost

Subsequent interest on impaired financial assets

On financial assets/liabilities carried at amortised cost

Trust and/or other fiduciary activities

Other fee income

Disclosed in the Statement of Financial Performance

Disclosed in the Statement of Financial Position

Consumer receivables from non-exchange transactions

Sundry receivables from exchange transactions

Consumer receivables from exchange transactions

Investment held as a collateral

Cash and cash equivalents

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33.2 Financial liabilities					
30 June 2018		30 June 2017		2018	
Opening balance	Interest expense	Net other movements	Closing balance	Interest expense include	Interest on financial liabilities that are not at fair value through surplus or deficit
R 195 319	(195 319)	2 490 157	6 137 950	34 834 777	6 940 838
Finance lease at	Financial instruments	Financial instruments	Financial instruments	Financial instruments	Financial liabilities at
Cost	at cost	at cost	at cost	at cost	cost
R 3 647 794	R 25 671 044	R 6 825 841	R 36 339 998	R 114 998	11 458 571
Total	Total	Total	Total	Total	Total
42 452 669	486 871	6 644 420	28 265 817	7 055 561	R 42 452 669
30 June 2017	Finance lease at	Financial instruments	Financial instruments	Financial instruments	Financial liabilities at
Cost	at cost	at cost	at cost	at cost	cost
R 486 871	R 6 644 420	R 28 265 817	R 7 055 561	R 42 452 669	
Interest expense	Net other movements	Closing balance	Interest expense include	Interest on financial liabilities that are not at fair value through surplus or deficit	
(291 552)	(2 996 626)	(2 594 773)	(229 740)	6 825 841	36 339 998
195 319	3 647 794	25 671 044	6 825 841	36 339 998	
Interest expense includes	Interest on financial liabilities that are earned at amortised cost				
Disclosed in the Statement of Financial Performance		Disclosed in the Statement of Financial Position		Categories of financial liabilities	
Fee expenses	On financial assets/liabilities carried at amortised cost	Trust and/or other fiduciary activities	Other fee expenses	Unspent conditional grants and receipts	Finance lease liability
				Trade and other payables from exchange transactions	Long term loan - DBSA
468 056	468 056			6 137 950	34 834 777
R 468 056	R 468 056			6 825 840	47 798 568
2017	2018				
R 319 943	R 319 943				
319 943	319 943				
36 339 998	36 339 998				

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

33.3 Qualitative disclosure

Key assumptions

Credit risk

Ingquza Hill Local Municipality has a very serious credit risk exposure because of the debtors that are not paying for rates, taxes and services. The Municipality has since engaged the use of a Debt Collector to collect monies owed by the debtors and the Council has also resolved to write off the opening balances of the debtors. For ageing refer to Note 11. The maximum exposure to credit risk is the 100% of the carrying amounts of the financial assets as indicated above even for the consumer receivables where the maximum exposure is estimated to be at 100% of the carrying amount of the debtors.

Liquidity risk

Ingquza Hill Local Municipality does not foresee any threat with regards to servicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the Municipality is committing income when budgeting to avoid the use of external loans and overdrafts to finance its operations. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position as at 30 June 2018 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018	2017
Later than one month and not later than three months		
R		R
231 003		231 003
-		-
-		-
-		-
6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
-		-
-		-
-		-
6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
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-		-
-		-
6 487 869		3 559 508
114 998		-
Not later than one month		one month
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231 003		231 003
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-		-
6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
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6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
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6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
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6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
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-		-
6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
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6 487 869		3 559 508
114 998		-
Not later than one month		one month
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231 003		231 003
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6 487 869		3 559 508
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6 487 869		3 559 508
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Not later than one month		one month
R		R
231 003		231 003
-		-
-		-
-		-
6 487 869		3 559 508
114 998		-
Not later than one month		one month
R		R
231 003		231 003
-		-
-		-
-		-
6 487 869		3 559 508
114 998		-

INGQUZA HILL LOCAL MUNICIPALITY	
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)	
For the year ended 30 June 2018	
34	RELATED PARTY TRANSACTIONS
34.1 Interest of related parties	
Councillors and/or managers of the Municipality that have relationships with businesses as indicated below	
Name	Description
None	None
34.2 Services rendered to related parties	
The Municipality did not render any services during the year to anyone that can be considered as a related party	
34.3 Loans granted to related parties	
In terms of the Municipal Finance Management Act, the municipality may not grant loans to its Councillors, management, staff and public with effect from 1 July 2004. It has have been granted to anyone that can be considered as a related party	
34.4 Purchases from related parties	
The Municipality did not buy goods from any companies which can be considered to be related parties	
34.5 Remuneration	
Please refer to Notes 19 and 36 for Councillors remunerations and Note 18 for the remuneration of management	
34.6 Audit committee fees	
PM Mankotswa	Chairperson
VM Sonqobwe	Member
NB Kekana	Member
EBD Makhosi	Member
This is an independent advisory body which advises the Ingquza Hill Local Municipality Council, the political Office Bearers, the Accounting Officer and the Management on matters relating to performance and financial management. This body is appointed in terms of s156(4)a of the Municipal Finance Management Act Number 56 of 2003	
2018	2017
161 324	166 239
58 500	72 244
13 000	13 000
19 500	19 500
70 324	57 495
R	R

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

35	PROVISION FOR IMPAIRMENT		
	Reconciliation of the provision	2018 R	2017 R
	Consumer debtor account	65 544 111	59 864 327
	Provision balance @ 98%	46 729 535	44 772 178
	Opening balance	44 772 178	39 224 603
	Current increase	1 957 357	5 547 575
	CALCULATIONS @ 98%		
	Business	27 834 790	27 387 559
	Domestic	18 894 745	17 384 619
	TOTAL	<u>46 729 535</u>	<u>44 772 178</u>
	Provision	<u>(1 957 357)</u>	<u>(5 547 575)</u>
	Traffic fines impaired	(38 700)	(33 250)
	Total impairment	<u><u>(1 996 057)</u></u>	<u><u>(5 580 825)</u></u>

For the year ended 30 June 2013

TRADITIONAL LEADERS

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

37 SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOAN:	Loan Number	Redeemable	Balance at 01/07/2017	Paid during the year	Interest for the year	Balance at 30/06/2018	Carrying Value of Property, Plant and Equipment	Other costs in accordance with the MFMA
Loan - Development Bank of Southern Africa(DBSA)		R		R	R	R		R
			6 825 840	(468 056)	468 056	6 825 840	23 046 684	-
			6 825 840	-468 056	468 056	6 825 840	23 046 684	-

NB: This is a financial liability

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

38 Actual expenditure in excess of approved budget votes

Opening balance
Non cash items
Condoned by council
Total deviations made in the current year

Incident

This is the actual expenditure for certain budget votes exceeded the approved adjustments budget due to non-cash flow items, included in the actual expenditure which could not reasonably have been budgeted for.

2018
R

2017
R

-	-
-	-
-	-
-	-

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

39 LEASES
39.1 Finance lease liability

30 June 2018

Amounts payable under finance leases

Within one year
Within two to five years

Less: Amount due for settlement within 12 months (current portion)

The average lease term is 3 years and the average effective borrowing rate is 18%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

30 June 2017

Amounts payable under finance leases

Within one year
Within two to five years

Less: Amount due for settlement within 12 months (current portion)

The average lease term is 3 years and the average effective borrowing rate is 18%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
30 June 2018	-	-	-
30 June 2017	195 320	-	195 320
Less: Amount due for settlement within 12 months (current portion)	-	-	-
	195 320	-	195 320
			(195 320)
			-

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

39 LEASES (CONTINUED)
39.2 Operating lease

30 June 2018	Minimum lease receipts R	Future finance charges R	Present value of minimum lease receipts R
Amounts receivable under operating leases			
Within one year	61 933	-	61 933
Within two to five years	1 360 440	-	1 360 440
			61 933
			1 298 508
Less: Amount due for settlement within 12 months (current portion)			

These are the lease contracts given to people at a fixed monthly instalments, one of the contracts will expire in 2026. Details per each lease are attached

30 June 2017	Minimum lease receipts R	Future finance charges R	Present value of minimum lease receipts R
Amounts receivable under operating leases			
Within one year	124	-	195 320
Within two to five years	124	-	(195 320)
Less: Amount due for settlement within 12 months (current portion)			

These are the lease contracts given to people at a fixed monthly instalments

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

40 WORK IN PROGRESS

	2018	2017
Access Roads	34 776 634	18 396 327
Electrification	29 166 003	21 628 629
Municipal Offices	51 826 956	28 151 286
Community Halls	12 613 566	7 867 852
Street Lights	72 963	72 963
Landfill sites	1 970 274	319 298
Facilities (Town)	3 109 680	1 439 847
High Mast Lights	559 751	
134 093 825	77 865 202	
RECONCILIATION		
Opening Balances	77 865 202	89 027 259
Adjustments	512 000	652 722
Restated Opening Balance	78 377 202	89 679 981
Less: Completed Projects transferred FAR	(33 294 527)	(87 323 253)
Less: Completed Projects transferred to Expenditure	(5 524 696)	(8 930 316)
Plus: Additional Expenditure	94 536 844	84 438 790
Closing Balance	134 093 823	77 865 202

These are the capital projects that are being constructed by the Municipality utilising a mix of grants and own revenue, all these projects are in the IDP of the Municipality and the progress, delays and stopages per each project is reported in the APR which is a document submitted together with these

41 IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

	2018	2017
Furniture and fittings	1 700	-
Tools, arms & mobile office	598	-
Computer equipment	598	2 580
Sale of Sales	-	4 629 452
	<u>61 644</u>	<u>4 632 032</u>

These assets were impaired during the year because of their bad conditions which are beyond repairable and some were stolen or lost

42 LOSS ON DISPOSAL OF ASSETS

	2018	2017
Sale of site	1 710 572	-
	<u>1 710 572</u>	<u>-</u>

Sites sold lower than the market value with the motive of developing the land.

43 INTEREST EARNED ON EXTERNAL INVESTMENTS

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

	2018	2017
FNB	6224175712 - primary account	975 583
FNB	62003235307 - call account	564 954
FNB	62219877836 - call account	7 416
FNB	74238699310 - call account	1 493 956
FNB	62231474537 - call account	440 962
FNB	62231473761 - call account	4 020 870
FNB	485 579	449 161
	<u>7 615 515</u>	<u>7 952 902</u>

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

44 CAPITAL COMMITMENTS

Commitments in respect of assets still under construction

Approved and contracted for

	2018	2017
Infrastructure	9 399 259	29 122 977
Community	-	9 253 082
Offices	3 390 766	20 646 498
Plant	-	3 145 203
Computer equipment	1 032 358	527 014
Office Furniture	-	93 791
Bins	747 194	331 562
Truck	-	590 000
Surfacing (Newtown)	21 820 035	-
Landfill sites	1 538 498	-
Wetlands	915 093	-
Sportsfields	1 133 160	-
	<u>39 976 363</u>	<u>63 710 107</u>

These assets will be funded from

Grants and subsidies	9 399 259	59 022 537
Own revenue	30 577 104	4 687 570

NB: these commitments represent the remainder of the contracts signed by the Municipality for the development of some projects that look longer than expected to complete as a result at year end they were still pending.
The completed portions of these project are reported as work in progress